

## Message Text

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ORIGIN IO-13

INFO OCT-01 EUR-12 NEA-10 ISO-00 L-03 DHA-02 ORM-02 AID-05

IGA-02 ABF-01 TRSE-00 OMB-01 EB-07 CIAE-00 INR-07

NSAE-00 SS-15 NSC-05 SP-02 /088 R

DRAFTED BY IO/DHP:CJNEE:JBS

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NEA/RA:JCHEEK

IO/UNP:RPECK

L/UNA:RSTOWE

IO/EX:SMENTER

IO/UNP:GBHELMAN

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P R 012137Z NOV 76

FM SECSTATE WASHDC

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INFO AMEMBASSY VIENNA

AMEMBASSY AMMAN

C O N F I D E N T I A L STATE 268680

E.O. 11652: GDS

TAGS: UNRWA

SUBJECT: UN BUDGET/UNRWA: CONTINGENT LIABILITY FOR  
SEPARATION BENEFITS

1. REPORT OF UNRWA COMMISSIONER GENERAL FOR PERIOD ENDING  
JUNE 30, 1976 INCLUDES DESCRIPTION OF DIFFICULTIES TO  
UNRWA FINANCES POSED BY THE AGENCY'S CONTRACTUAL OBLIGATION  
FOR SEPARATION BENEFITS FOR UNRWA EMPLOYEES. UNRWA, WHICH  
HAS 15,900 FIELD EMPLOYEES, (8,900 OF WHOM ARE TEACHERS)  
HAS A CONTRACTUAL LIABILITY TO PAY THESE STAFF SEPARATION  
BENEFITS AND FEELS COMPELLED TO ACCRUE A LIABILITY FOR  
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THESE COSTS ON ITS BALANCE SHEET. IT PRESENTLY PROVIDES

FOR ABOUT 50 PERCENT OF THE CURRENTLY CALCULATED LIABILITY OF DOLS 23 MILLION ON THE ASSUMPTION THAT IN AN ORDERLY DISSOLUTION OF THE PROGRAM HALF THE STAFF WOULD FIND ALTERNATIVE EMPLOYMENT. DURING PERIODS OF FINANCIAL EMERGENCY WHEN ITS VERY FUTURE SBEMS IN THE BALANCE, UNRWA FEELS IT MUST PROVIDE FOR 100 PERCENT FINANCING SINCE CHANCES FOR IMMEDIATE REEMPLOYMENT NOT FELT LIKELY IN CIRCUMSTANCES WHERE PROGRAM DISBANDED ON CRASH BASIS. IN HIS REPORT COMMISSIONER GENERAL RENNIE POINTS OUT THAT THE AGGRAVATION TO UNRWA FINANCES CAUSED BY THIS LIABILITY COULD BE AVOIDED IF THE GENERAL ASSEMBLY EITHER (A) APPROVED

A SPECIAL ALLOCATION OF FUNDS FROM THE UN BUDGET TO INCREASE UNRWA'S WORKING CAPITAL FOR THIS PURPOSE OR (B) AGREED IN ADVANCE TO ACCEPT A CONTINGENT LIABILITY AGAINST THE UNITED NATIONS' REGULAR BUDGET FOR SEPARATION BENEFITS FOR UNRWA'S LOCAL STAFF IN THE EVENT OF LIQUIDATION OF THE AGENCY. THE WORKING GROUP ON UNRWA FINANCES HAS EXPRESSED THE VIEW THAT LATTER ALTERNATIVE, I.E., ACCEPTANCE OF CONTINGENT LIABILITY BY GENERAL ASSEMBLY MERITS CONSIDERATION.

2. THE CG'S REPORT WILL BE TAKEN UP DURING WEEK OF NOVEMBER 1. IT IS OUR UNDERSTANDING THAT, HAVING EXPOSED THE PROBLEM, COMMISSIONER GENERAL RENNIE BELIEVES THAT ANY DRAFT RESOLUTION ON THE QUESTION OF SEPARATION BENEFITS IN THE SPECIAL POLITICAL COMMITTEE WOULD HAVE TO COME FROM THE INITIATIVE OF GOVERNMENTS.

3. IN DEALING WITH UNRWA'S FINANCIAL DIFFICULTIES WE HAVE FOUND THE PROBLEM POSED BY THE AGENCY'S LIABILITY FOR SEPARATION BENEFITS TO BE PARTICULARLY TROUBLESOME. WE HAVE BEEN ESPECIALLY CONCERNED THAT DURING PERIODS OF ACUTE CRISIS THE AGENCY FINDS ITSELF REQUIRED TO IMMOBILIZE URGENTLY NEEDED WORKING CAPITAL IN ORDER TO MAKE 100 PERCENT PROVISION FOR FUNDING OF SEPARATION BENEFITS. THIS PRACTICE IN OUR VIEW ACTS TO COMPOUND AN ALREADY SERIOUS FINANCIAL PICTURE. BECAUSE OF THIS WE BELIEVE THE SUGGESTION TO HAVE THE GENERAL ASSEMBLY ASSUME A CONTINGENT LIABILITY FOR SEPARATION BENEFITS

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TO HAVE MERIT. WE NOTE THAT AN APPROPRIATION OF UN REGULAR BUDGET FUNDS WOULD BE REQUIRED ONLY IF THE AGENCY WERE TO BE SUMMARILY DISBANDED, AN EVENTUALITY WE DO NOT CONSIDER LIKELY. ACCORDINGLY DELEGATION IS AUTHORIZED TO SUPPORT A RESOLUTION WHICH CALLS FOR THE UNGA TO ASSUME CONTINGENT LIABILITY FOR SEPARATION BENEFITS COSTS OF UNRWA FIELD STAFF NOT COVERED BY THE AGENCY.

- IT IS OUR UNDERSTANDING THAT SHOULD THE  
GENERAL ASSEMBLY ACCEPT CONTINGENT LIABILITY FOR THESE  
COSTS, UNRWA WOULD NOT TAKE SEPARATION BENEFITS LIABILITY  
INTO ACCOUNT WHEN ATTEMPTING TO STRIKE A BALANCE BETWEEN  
ASSETS AND LIABILITIES FOR LIQUIDITY MEASUREMENT  
PURPOSES TO MEET THE REQUIREMENTS OF FINANCIAL REGULA-  
TIONS. WHILE WE CAN SUPPORT A RESOLUTION WHICH WOULD  
PROVIDE FOR THE GENERAL ASSEMBLY TO ASSUME THIS CONTINGENT

LIABILITY, FOR TACTICAL REASONS WE BELIEVE IT IMPORTANT  
ANOTHER COUNTRY TAKE THE LEAD IN DRAFTING A RESOLUTION  
AND IN SEEKING CO-SPONSORSHIP. WE WILL ADDRESS QUESTION  
OF POSSIBLE US CO-SPONSORSHIP WHEN WE HAVE A CLEARER READ-  
ING OF IDENTITY AND NUMBERS OF CO-SPONSORS. KISSINGER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BUDGETS, PERSONNEL SEPARATIONS, FRINGE BENEFITS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 01 NOV 1976  
**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** KelleyW0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Source:** CORE  
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**Drafter:** CJNEE:JBS  
**Enclosure:** n/a  
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**Errors:** N/A  
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**Previous Classification:** CONFIDENTIAL  
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**To:** USUN NEW YORK  
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